

**Society for Science &
the Public
(d/b/a Society for Science)**

Financial Report
December 31, 2020

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Independent Auditor's Report

RSM US LLP

Board of Trustees
Society for Science & the Public
(d/b/a Society for Science)

Report on the Financial Statements

We have audited the accompanying financial statements of Society for Science & the Public (d/b/a Society for Science) (the Society), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Society for Science as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
March 19, 2021

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**Society for Science & the Public
(d/b/a Society for Science)**

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 10,270,040	\$ 12,044,048
Subscriptions receivable, net	40,483	31,130
Other receivables, net	170,607	171,018
Prepaid expenses	523,401	866,333
Investments	30,557,978	28,643,058
Grants receivable, net	60,818,023	53,366,484
Property and equipment, net	45,977	50,839
	<hr/>	<hr/>
Total assets	\$ 102,426,509	\$ 95,172,910
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,739,953	\$ 1,415,260
Awards payable	4,807,952	4,512,648
Deferred subscription revenue	3,441,160	4,045,879
Note payable	1,826,000	-
Accrued postretirement benefits	2,586,000	2,202,000
	<hr/>	<hr/>
	14,401,065	12,175,787
	<hr/> <hr/>	<hr/> <hr/>
Commitments and contingencies (Notes 7, 13, and 14)		
Net assets:		
Without donor restrictions	20,311,751	19,434,160
With donor restrictions	67,713,693	63,562,963
Total net assets	<hr/> 88,025,444 <hr/>	<hr/> 82,997,123 <hr/>
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and net assets	\$ 102,426,509	\$ 95,172,910
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

**Society for Science & the Public
(d/b/a Society for Science)**

**Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020	2019
Activities without donor restrictions:		
Revenue and support:		
Science News:		
Magazine subscriptions	\$ 3,216,723	\$ 3,112,225
Advertising and other	505,322	481,098
Science education programs	4,051,561	5,983,004
Membership and other	2,296,854	1,508,268
Net assets released from donor restriction	14,227,928	20,949,677
Total revenue and support	24,298,388	32,034,272
Expenses:		
Program services:		
Science education programs	12,686,820	17,290,170
Science News	7,966,136	7,280,521
Alumni	536,872	696,235
Special initiatives	272,979	614,328
Total program services	21,462,807	25,881,254
Supporting services:		
Development	2,007,560	2,012,530
General and administrative	1,706,787	1,723,216
Total supporting services	3,714,347	3,735,746
Total expenses	25,177,154	29,617,000
Change in net assets without donor restrictions from operations	(878,766)	2,417,272
Non-operating activity:		
Investment income	2,065,357	3,682,383
Accrued postretirement benefit adjustment	(309,000)	(499,000)
Change in net assets without donor restrictions	877,591	5,600,655
Activities with donor restrictions:		
Science education programs	14,762,084	12,659,904
Outreach and other	3,303,116	1,819,981
Investment income	313,458	271,834
Net assets released from restriction	(14,227,928)	(20,949,677)
Change in net assets with donor restrictions	4,150,730	(6,197,958)
Change in net assets	5,028,321	(597,303)
Net assets:		
Beginning	82,997,123	83,594,426
Ending	\$ 88,025,444	\$ 82,997,123

See notes to financial statements.

Society for Science & the Public
(d/b/a Society for Science)

Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expense
	Science Education Programs	Science News	Alumni	Special Initiatives		General and Administrative	Development		
Salaries and benefits	\$ 4,301,091	\$ 4,512,193	\$ 417,461	\$ 3,507	\$ 9,234,252	\$ 972,148	\$ 1,198,120	\$ 2,170,268	\$ 11,404,520
Awards, scholarships and grants	4,167,336	1,000	-	-	4,168,336	-	-	-	4,168,336
Professional fees and services	2,206,307	519,201	34,070	71,879	2,831,457	212,979	227,262	440,241	3,271,698
Printing, production and postage	222,129	1,829,272	535	1,704	2,053,640	384,118	18,989	403,107	2,456,747
Technology	899,336	692,499	58,108	194,889	1,844,832	247,170	87,493	334,663	2,179,495
Real estate occupancy and utilities	341,308	212,710	14,263	-	568,281	49,196	46,230	95,426	663,707
Marketing and promotion	135,728	108,198	90	261	244,277	102,201	110	102,311	346,588
Other administrative costs	89,697	70,164	1,135	-	160,996	32,859	118,896	151,755	312,751
Equipment and supplies	168,879	9,162	467	-	178,508	2,623	8,006	10,629	189,137
Travel and entertainment and events	155,009	11,737	10,743	739	178,228	4,266	1,681	5,947	184,175
Total expenses	\$ 12,686,820	\$ 7,966,136	\$ 536,872	\$ 272,979	\$ 21,462,807	\$ 2,007,560	\$ 1,706,787	\$ 3,714,347	\$ 25,177,154

See notes to financial statements.

Society for Science & the Public
(d/b/a Society for Science)

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expense
	Science Education Programs	Science News	Alumni	Special Initiatives		Development	General and Administrative		
Salaries and benefits	\$ 4,189,859	\$ 4,268,720	\$ 507,790	\$ 119,710	\$ 9,086,079	\$ 881,538	\$ 1,197,946	\$ 2,079,484	\$ 11,165,563
Awards, scholarships and grants	4,759,448	-	-	-	4,759,448	-	-	-	4,759,448
Professional fees and services	2,682,924	417,006	23,746	123,579	3,247,255	301,645	244,756	546,401	3,793,656
Printing, production and postage	143,452	1,687,159	7,765	2,770	1,841,146	436,358	25,996	462,354	2,303,500
Technology	1,090,625	471,977	77,182	350,355	1,990,139	199,835	68,306	268,141	2,258,280
Real estate occupancy and utilities	483,465	180,535	16,725	6,081	686,806	49,863	40,307	90,170	776,976
Marketing and promotion	234,043	82,671	10,256	4,683	331,653	84,249	-	84,249	415,902
Other administrative costs	97,145	64,080	797	-	162,022	11,702	121,939	133,641	295,663
Equipment and supplies	297,660	15,161	3,118	-	315,939	4,232	6,450	10,682	326,621
Travel and entertainment and events	3,311,549	93,212	48,856	7,150	3,460,767	43,108	17,516	60,624	3,521,391
Total expenses	\$ 17,290,170	\$ 7,280,521	\$ 696,235	\$ 614,328	\$ 25,881,254	\$ 2,012,530	\$ 1,723,216	\$ 3,735,746	\$ 29,617,000

See notes to financial statements.

Society for Science & the Public
(d/b/a Society for Science)

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 5,028,321	\$ (597,303)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,862	4,821
Bad debt expense	27,430	14,984
Accrued postretirement benefit adjustment	309,000	499,000
Realized and unrealized gains on investments	(1,652,035)	(3,164,736)
Amortization of discount on grants receivable	(3,520,495)	(1,604,719)
Contributions restricted for endowment	(300,000)	(300,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Subscriptions receivable	(9,353)	4,270
Other receivables	(27,019)	(13,730)
Prepaid expenses	342,932	(196,786)
Grants receivable	(3,931,044)	8,017,947
Increase (decrease) in:		
Accounts payable and accrued expenses	324,693	486,147
Awards payable	295,304	762,615
Deferred subscription revenue	(604,719)	517,805
Accrued postretirement benefits	75,000	18,001
Net cash (used in) provided by operating activities	(3,637,123)	4,448,316
Cash flows from investing activities:		
Purchases of investments	(2,242,457)	(7,568,993)
Proceeds from sales of investments	1,979,572	7,328,092
Purchases of property and equipment	-	(24,314)
Net cash used in investing activities	(262,885)	(265,215)
Cash flows from financing activities:		
Proceeds from endowment contributions	300,000	300,000
Proceeds from note payable	1,826,000	-
Net cash provided by financing activities	2,126,000	300,000
Net (decrease) increase in cash and cash equivalents	(1,774,008)	4,483,101
Cash and cash equivalents:		
Beginning	12,044,048	7,560,947
Ending	\$ 10,270,040	\$ 12,044,048
Supplemental disclosure of noncash investing activities:		
Donated securities	\$ 100,118	\$ 62,152

See notes to financial statements.

**Society for Science & the Public
(d/b/a Society for Science)**

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Society for Science & the Public (d/b/a Society for Science) (the Society) is a nonprofit organization incorporated in 1921 under the laws of the state of Delaware for the purpose of promoting public understanding of science. The Society's operations are financed primarily through subscription revenues and grants from private foundations and corporations. The Society's principal activities include the publication of the bi-weekly news magazine *Science News* and the administration of science competitions for middle school and high school students. In November 2020, the Society adopted the "doing business as" name of Society for Science. The Society's official corporate name is Society for Science & the Public.

A summary of the Society's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-For-Profit Entities Topic of the FASB ASC, the Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions include undesignated funds that are available for the support of the Society's activities and not subject to donor-imposed restrictions. Also included in net assets without donor restrictions are board-designated and certain amounts not available to support general activities.

Net assets with donor restrictions: Net assets with donor restrictions result from unconditional contributions whose use is limited by donor-imposed stipulations that are fulfilled and removed by actions of the Society pursuant to these stipulations.

Income taxes: The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and applicable regulations of the District of Columbia, except on net income derived from unrelated business activities. The Society has been classified as other than a private foundation.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, the Society considers demand deposits held at financial institutions to be cash and cash equivalents.

Investments: Investments with readily determinable fair values are reflected at fair value. The change in fair value of these investments is recorded as a component of investment income in the statements of activities.

Financial risk: The Society maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Society.

**Society for Science & the Public
(d/b/a Society for Science)**

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Society also invests funds in professionally managed portfolios containing various marketable debt and equity securities. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Subscriptions receivable: Subscriptions receivable consists of amounts owed from customers for subscriptions to *Science News* magazine and is presented net of an allowance for doubtful accounts in the accompanying statements of financial position. The allowance for doubtful accounts is estimated based on an analysis of future cash receipts and historical write-offs. The allowance related to subscriptions was \$0 as of December 31, 2020 and 2019.

Grants receivable: Grants receivable consist of unconditional promises to give from donors. Grants receivable are discounted to net present value in the period promised, using discount rates ranging from 2.20% to 5.05%. Grants receivable are reported net of the related present value discount. Management periodically reviews the status of all promises to give for collectability. Each promise to give is assessed based on management's knowledge of and relationship with the donor and the payment history of each donor.

Other receivables: Other receivables consists primarily of amounts owed from customers for membership and services such as advertising and list rental and are presented net of an allowance for doubtful accounts in the accompanying statements of financial position. The allowance for doubtful accounts is estimated based on an analysis of future cash receipts and historical write-offs. The allowance related to other receivables was \$75,836 and \$48,406 as of December 31, 2020 and 2019, respectively.

Awards payable: Awards payable are recorded when awarded to middle and high school students each year under the Regeneron Science Talent Search (STS), Broadcom MASTERS (MASTERS), Intel International Science and Engineering Fair (ISEF), and other award programs. Awards are generally paid out in installments over a four-year period. However, because substantially all payments are available to be paid out to the winner immediately upon the submission of proper documentation, the awards are not discounted to present value. To receive the payment, students must generally be enrolled in a college or university.

Grants and contributions: Grants and unconditional contributions are recognized as revenue when received or promised. Contributions received with conditions are recognized when the conditions are met. Contributions are recorded as support with or without donor restrictions depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions when restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished).

**Society for Science & the Public
(d/b/a Society for Science)**

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Program service revenue: Revenue from contracts with customers is derived primarily from *Science News* and scientific education programs. *Science News* consists of primarily subscription, advertising and licensing revenue. Subscription revenue relates to publications periodically through the year and is recognized as income over the term of the subscription, generally one to two years. Deferred subscription revenue represents the unearned portion of subscriptions received by the Society as of December 31. Advertising revenue relates to advertising in those publications and is recognized as the respective issues are published. Scientific education programs consist primarily of revenue derived from fees related to ISEF. Revenue is recognized over the period when the services are provided. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. The Society did not have any impairments from contracts with customers. There are no incremental costs on obtaining a contract and no significant financing components. In addition, there were no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Contributed services: During each of the years ended December 31, 2020 and 2019, the Society received \$720,000 in contributed services. A donor contributed web site security and monitoring services at no charge to the Society. The Society recorded the estimated fair value of the contributed services as contribution revenue and a corresponding expense on the statements of activities.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. All expenses specifically identifiable to a grant, program activity or project are charged directly to the department for that activity.

Expenses specifically for general and administrative organizational support, such as finance, human resources and positions of executive office and board costs are directly charged to departments which are included as general and administrative. Other costs not readily associated with a specific grant or program activity, nor general and administrative expenses, are pooled as common support costs and allocated to each program based on the total direct expenses for each function. Common costs are those support costs that apply across the organization, such as information technology, facilities, internal marketing and design, communications and part of executive support.

Operations: The Society considers investment income, the accrued postretirement benefit adjustment, and other significant incidental activities as non-operating activities. All other activities are considered operating activities.

Adopted accounting pronouncement: During the year ended December 31, 2020, the Society adopted guidance regarding contributions made from Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, using the modified prospective method. The Society adopted the guidance regarding contributions received during the year ended December 31, 2019. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this standard include clarification regarding the accounting for grants and contributions as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The adoption of this standard related to contributions made had no impact on the financial statements.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statements of activities. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Society is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. The guidance in this ASU removes, adds and clarifies certain disclosure requirements for employers that sponsor defined benefit pension plan or other postretirement plans. The ASU is effective for the Society for fiscal years ending after December 15, 2021. The Society is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 addresses presentation and disclosure of contributed nonfinancial assets, and should be applied on a retrospective basis. The Society anticipates adopting the new standard during the year ending December 31, 2022, and is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reclassifications: Certain 2019 amounts have been reclassified to conform to the 2020 presentation. There was no change to the change in net assets as a result.

Subsequent events: Subsequent events have been evaluated through March 19, 2021, which is the date the financial statements were available to be issued.

Note 2. Concentrations

The Society is the recipient of several significant grants from Regeneron Pharmaceuticals, Inc. (Regeneron), Broadcom Foundation and Intel Foundation. The sponsorship with Intel Foundation ended in 2019. At December 31, 2020 and 2019, substantially all of the Society's unconditional grants receivable were comprised of amounts due from Regeneron and Broadcom Foundation.

Note 3. Investments

In accordance with U.S. GAAP, the Society uses the following prioritized input levels to measure investments carried at fair value. The input levels used for valuing financial instruments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data

**Society for Science & the Public
(d/b/a Society for Science)**

Notes to Financial Statements

Note 3. Investments (Continued)

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as bid/ask spreads and liquidity discounts

Equity securities, exchange-traded funds and mutual funds are classified as Level 1 instruments because they are actively traded on public exchanges. Money market funds included in the investment portfolio are not subject to the provisions of the fair value measurement standard as they are recorded at cost.

The following is a summary of investments at December 31, 2020 and 2019:

	2020	2019
Money market funds at cost	\$ 148,855	\$ 304,525
Fixed income funds (Level 1)	12,665,391	12,576,904
Equity funds (Level 1)	10,821,801	9,182,818
Equity securities (Level 1)	6,921,931	6,578,811
	<u>\$ 30,557,978</u>	<u>\$ 28,643,058</u>

Investment income consists of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 856,908	\$ 922,779
Realized and unrealized gains	1,652,035	3,164,736
Investment fees	(130,128)	(133,298)
	<u>\$ 2,378,815</u>	<u>\$ 3,954,217</u>

Note 4. Grants Receivable

The Society receives several significant contributions from Regeneron and Broadcom Foundation in support of its science competitions. The Society also has received certain other promises to give from individuals and institutions.

During 2016, sponsorship of STS was transferred from Intel Foundation to Regeneron. The Intel Foundation sponsorship ended in 2019. Regeneron entered into a 10-year grant commitment with the Society to sponsor STS. Due to potential uncertainties, total potential gross payments of \$3,617,292 due from Regeneron during the year ended December 31, 2026, has not been included within the grants receivable balance as of December 31, 2020, due to uncertainty.

Under the terms of the sponsorship agreement, Regeneron placed \$7,000,000 into an escrow account held by a third-party escrow agent. The balance in the escrow account will be paid to either the Society or Regeneron, depending on the occurrence of certain events. Interest accruing on the amount in escrow will be paid to Regeneron. The Society's financial statements do not reflect any balances related to the amount in escrow.

**Society for Science & the Public
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Notes to Financial Statements

Note 4. Grants Receivable (Continued)

Regeneron also has a remaining grant commitment of up to \$12,978,000 conditioned upon the funding of ISEF and \$1,545,000 for reimbursement of ISEF expenses incurred. These amounts are to be paid in periodic payments through 2024.

Grants receivable consists of the following at December 31, 2020 and 2019:

	2020	2019
Receivable in less than one year	\$ 16,734,801	\$ 11,105,706
Receivable in one to five years	48,021,618	47,576,359
	<u>64,756,419</u>	<u>58,682,065</u>
Less discount to net present value	(3,938,396)	(5,315,581)
	<u>\$ 60,818,023</u>	<u>\$ 53,366,484</u>

Note 5. Property and Equipment

Acquisitions of property and equipment greater than \$5,000 are recorded at cost and depreciated using the straight-line method over their respective estimated useful lives, ranging from three to 35 years.

Property and equipment consists of the following at December 31, 2020 and 2019:

	2020	2019
Land	\$ 26,946	\$ 26,946
Building	1,521,182	1,521,182
Office furniture and equipment	577,236	577,236
Computer equipment	725,666	725,666
Capitalized software	797,881	797,881
Vehicles	24,945	24,945
	<u>3,673,856</u>	<u>3,673,856</u>
Less accumulated depreciation and amortization	(3,627,879)	(3,623,017)
	<u>\$ 45,977</u>	<u>\$ 50,839</u>

**Society for Science & the Public
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Notes to Financial Statements

Note 6. Liquidity and Availability

Financial assets available for general expenditure within one year as of December 31, 2020 and 2019, are as follows:

	2020	2019
Cash and cash equivalents	\$ 10,270,040	\$ 12,044,048
Subscription and other receivables	211,090	202,148
Investments	30,557,978	28,643,058
Grants receivable	60,818,023	53,366,484
Subtotal financial assets	<u>101,857,131</u>	<u>94,255,738</u>
Amounts not available for general expenditures within one year:		
Net assets with donor restrictions	<u>(67,713,693)</u>	<u>(63,562,963)</u>
Amounts available for expenditures within one year	<u><u>\$ 34,143,438</u></u>	<u><u>\$ 30,692,775</u></u>

The endowment fund is donor-restricted. A portion of the income from the donor-restricted endowment may be available for general use according to the endowment's spending policy.

While the Society does not have a liquidity policy, grant funds and unrestricted funds that are received during the course of the year are deposited in the Society's operating checking account and used to cover day-to-day operations. Funds designated for student awards due or certain restricted purposes are segregated in separate bank accounts and transferred to the operating account as required to fund those expenses. In the case where the operating funds available dip below those required to meet near-term expenses, funds are borrowed from the student amount and repaid when additional funds are received. Additionally, with the approval of the Society's board, certain operating expenses are funded using invested funds, and funds are transferred from the investments to the operating checking account periodically to cover those expenses.

Note 7. Lease Obligations

The Society entered into an operating lease for office space at 1233 20th Street NW in Washington, D.C. during 2016. The lease is for three years and contains a rental abatement equal to the first two months of rent. The lease further contains an escalation clause that adjusts annual base rentals and a pass-through clause related to real estate taxes and operating expenses. The lease expired in October 2019.

The Society entered into an operating lease for office space at 1701 Rhode Island Avenue NW in Washington, D.C., effective in October 2019. The lease is for two years and has monthly payments of approximately \$35,000 per month.

Rental expense under these leases was \$383,009 and \$409,337 for the years ended December 31, 2020 and 2019, respectively.

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Notes to Financial Statements

Note 8. Net Assets

Net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	January 1, 2020	Additions	Releases from Restriction	December 31, 2020
ISEF sponsorships and awards	\$ 70,906	\$ 99,500	\$ (100,000)	\$ 70,406
STS sponsorships and awards, including				
Outreach and Membership	56,021,905	13,599,998	(9,909,779)	59,712,124
Broadcom MASTERS	4,352,349	155,722	(1,970,894)	2,537,177
Other	940,389	2,352,500	(2,247,255)	1,045,634
Promises to give for endowment	-	1,557,480	-	1,557,480
Endowment	2,177,414	613,458	-	2,790,872
	<u>\$ 63,562,963</u>	<u>\$ 18,378,658</u>	<u>\$ (14,227,928)</u>	<u>\$ 67,713,693</u>

	January 1, 2019	Additions	Releases from Restriction	December 31, 2019
ISEF sponsorships and awards	\$ 5,773,417	\$ 601,345	\$ (6,303,856)	\$ 70,906
STS sponsorships and awards, including				
Outreach and Membership	55,339,111	11,149,597	(10,466,803)	56,021,905
Broadcom MASTERS	6,463,331	153,723	(2,264,705)	4,352,349
Other	579,482	2,275,220	(1,914,313)	940,389
Endowment	1,605,580	571,834	-	2,177,414
	<u>\$ 69,760,921</u>	<u>\$ 14,751,719</u>	<u>\$ (20,949,677)</u>	<u>\$ 63,562,963</u>

Note 9. Endowment

Since 2012, the Society received endowment gifts for which the income is meant to be used for supporting or expanding programs that impact K-12 students or education. However, the donor also provided flexibility to the Society to use income from this fund for general operating expenses if necessary.

Interpretation of relevant law: The Board of Directors of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) as adopted by the Society of the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with donor restrictions: (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The accumulated investment income in excess of portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund

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Note 9. Endowment (Continued)

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

It is the Society's interpretation of the donor gift instrument that no appropriations should be made from the endowment fund when it is underwater. Accordingly, no appropriations were made from an underwater fund.

Return objectives and risk parameters: The Society adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The investment portfolio is intended to produce returns higher than specified market indices while assuming a moderate level of risk.

Strategies employed for achieving objectives: To satisfy its long-term objectives, the Society will rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society will target a diversified asset allocation to achieve its long-term return objectives.

Spending policy and how the investment objectives relate to spending policy: In accordance with the endowment's terms, annual earnings equal to 3% of the invested corpus will be added to the total corpus. The remaining portion of the annual earnings will be reflected as net assets with donor restrictions until appropriated for expenditure. Appropriations are made at the discretion of management to support or expand programs with an emphasis on those that impact K-12 students and education.

Management also has the discretion to appropriate funds to offset expenses related to the development and administration of such programs.

Funds with deficiencies: From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

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Note 9. Endowment (Continued)

Endowment net assets and related activity consist of the following:

	With Donor Restrictions		Total
	Accumulated Income	Held in Perpetuity	
Endowment net assets, December 31, 2018	\$ -	\$ 1,605,580	\$ 1,605,580
Contributions	-	300,000	300,000
Investment return	131,146	140,688	271,834
Endowment net assets, December 31, 2019	131,146	2,046,268	2,177,414
Contributions	-	300,000	300,000
Investment return	245,167	68,291	313,458
Endowment net assets, December 31, 2020	<u>\$ 376,313</u>	<u>\$ 2,414,559</u>	<u>\$ 2,790,872</u>

Note 10. Retirement Plan

The Society sponsors a defined contribution retirement plan (the Plan). Full time employees at least 21 years old are eligible for an employer contribution. Employees are fully and immediately vested in the Society's contributions upon entry into the Plan. The Society makes contributions to the Plan of 3% of compensation for all eligible employees, and 7% for all eligible employees who elect to defer at least 5% of compensation. The Society's contribution to the Plan was approximately \$797,000 and \$785,000 for the years ended December 31, 2020 and 2019, respectively.

Note 11. Postretirement Benefit Obligation

The Society maintains a postretirement healthcare benefit plan (the postretirement plan), which it froze in June 2008. Participation in the plan remains open to all employees hired prior to June 30, 2008. Under the plan, an employee becomes eligible to receive benefits if, upon retirement, the sum of the employee's age and years of service with the Society is at least 85 years. The plan was unfunded at December 31, 2020 and 2019, as the Society does not maintain plan assets.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) introduces a prescription drug benefit under Medicare (Medicare Part D) that provides several options for Medicare-eligible participants and employers, including a federal subsidy payable to companies that elect to provide a retiree prescription drug benefit which is at least actuarially equivalent to Medicare Part D. As of December 31, 2020 and 2019, the Society had not applied for the federal subsidy. Therefore, no federal subsidy is reflected in the valuation of the postretirement plan for the years ended December 31, 2020 and 2019.

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Note 11. Postretirement Benefit Obligation (Continued)

The postretirement benefit obligation, included in the statements of financial position, consists of the following changes that have been recognized in the statements of activities for the years ended December 31, 2020 and 2019:

	2020	2019
Accumulated benefit obligation, beginning	\$ 2,202,000	\$ 1,684,999
Benefits paid	(18,000)	(15,999)
Service cost – benefits earned during the period	43,000	45,000
Interest cost on projected benefit obligation	71,000	71,000
Net loss during the year	288,000	417,000
Accumulated benefit obligation, ending	<u>\$ 2,586,000</u>	<u>\$ 2,202,000</u>

The net periodic benefit cost included in operations consists of the following components for the years ended December 31, 2020 and 2019:

	2020	2019
Service cost – benefits earned during the period	\$ 43,000	\$ 45,000
Interest cost on projected benefit obligation	71,000	71,000
Amortization of net gain	(21,000)	(82,000)
	<u>\$ 93,000</u>	<u>\$ 34,000</u>

Amounts in net assets without donor restrictions that have not yet been recognized in operations as a net periodic benefit cost include the following as of December 31, 2020 and 2019:

	2020	2019
Gain, beginning of the year	\$ 412,000	\$ 911,000
Net loss during the year	(288,000)	(417,000)
Amortization of net gain	(21,000)	(82,000)
Gain, end of the year	<u>\$ 103,000</u>	<u>\$ 412,000</u>

The amount of the unrecognized gain (loss) expected to be recognized in net periodic benefit cost during the fiscal year ending December 31, 2021, is \$0.

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Note 11. Postretirement Benefit Obligation (Continued)

The other postretirement benefit charges included in non-operating items as the accrued postretirement benefit adjustment consist of the following components for the years ended December 31, 2020 and 2019:

	2020	2019
Amortization of net gain	\$ (21,000)	\$ (82,000)
Net loss during the year	(288,000)	(417,000)
	<u>\$ (309,000)</u>	<u>\$ (499,000)</u>

The postretirement benefit obligation was determined using the following rates for the years ended December 31, 2020 and 2019:

	2020	2019
Discount rate for net periodic benefit cost	3.25%	4.25%
Discount rate for obligations at year-end	2.50%	3.25%
Health care cost trend rate assumed for next year	5.50%	6.00%
Ultimate rate (year 2026)	5.00%	5.00%

The mortality table used in the calculation of the postretirement plan's liability was the PRIH-2012 mortality table for white-collar employees projected using generational mortality improvement scale MP-2019 for the year ended December 31, 2019. For the year ended December 31, 2020, the same mortality table revised using generational improvement scale MP-2020 was used.

The annual measurement date used to determine postretirement healthcare benefits was December 31 for each year presented.

	2020	2019
Effect of a 1% increase in medical trend:		
Postretirement benefit obligation	\$ 592,000	\$ 507,000
Postretirement service cost	31,000	29,000
Effect of a 1% decrease in medical trend:		
Postretirement benefit obligation	(461,000)	(393,000)
Postretirement service cost	(22,000)	(22,000)

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Note 11. Postretirement Benefit Obligation (Continued)

Based on current data and assumptions, estimated future benefits expected to be paid from the postretirement plan are as follows:

Years ending December 31:		
2021	\$	28,000
2022		38,000
2022		44,000
2024		48,000
2025		51,000
2026-2029		311,000
	\$	<u>520,000</u>

Note 12. Note Payable

In April 2020, the Society obtained a loan totaling \$1,826,000, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act of March 27, 2020. The loan matures on April 21, 2022, and bears interest at a rate of 1% per annum. Proceeds from the loan may only be used for payroll costs, mortgage interest payments, rent and utilities incurred.

The loan and related accrued interest are forgivable after 24 weeks if the Society uses the loan proceeds for eligible purposes. The unforgiven portion of the PPP loan is payable over two years, with a deferral of payments for the first six months. The note payable may be prepaid by the Society at any time prior to maturity with no prepayment penalties. The Society has chosen to account for the loan in accordance with ASC 470 and will record a gain on loan forgiveness in the period when official notification of forgiveness is received. The Society intends to use the entire proceeds of the loan for qualifying expenses as described in the CARES Act. On January 26, 2021, the Society received notification that the PPP loan was forgiven in full including accrued interest in the amount of \$1,839,898.

Note 13. Commitments and Contingencies

Line of credit: During 2016, the Society entered into an arrangement with a financial institution to secure a corporate credit card. The card is supported by an unsecured \$500,000 line of credit. The outstanding credit card balance was \$71,086 and \$0 at December 31, 2020 and 2019, respectively. No interest expense related to the line of credit was incurred during either of the years ended December 31, 2020 and 2019.

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Note 14. COVID-19

On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a Public Health Emergency of International Concern and, on March 11, 2020, declared it to be a pandemic. The operations of the Society have been negatively impacted by the global outbreak of COVID-19. It is unknown for how long the adverse conditions associated with COVID-19 will last and what the complete financial effect will be to the Society. The impact of restrictions on gatherings has disrupted the Society's in-person research science competitions and conferences which adversely impacted the Society's revenues, and may continue to do so in the future. To date, the Society has modified all of its major in-person events to virtual events, and plans to continue to do so through June 2021. Reduced revenues were and will be offset by savings as a result of events being virtual rather than in-person, with no material effect on the operating net income or available cash. Finally, the Society has considerable cash reserves and investments to provide further insulation should the reduced revenues lead to cash shortages created by this pandemic.